

EXHIBIT DTR-31

~~UNCLASSIFIED SECRET~~~~SECRET/SENSITIVE~~NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20505

MEMORANDUM OF CONVERSATION

SUBJECT: U.S.-Iran Dialogue

N 15337

PARTICIPANTS:

U.S.
 The President
 The Vice President
 Donald Regan
 John Poindexter
 Robert McFarlane
 Oliver North
 Howard Teicher
 Rod McDaniel

DATE: May 29, 1986
 PLACE: Oval Office
 TIME: 9:30 a.m.

McFarlane briefed the President on the visit to Tehran. "We did not succeed in gaining the hostages' release. The current state of government in Iran lacks competence. The competents were decapitated. One hundred thousand or more are gone. The tentative overtures to U.S. result from a recognition of their declining circumstances."

McFarlane described their bazaar-style negotiating tactics and apparent fear of failure. On the terms of reference, there was disagreement, but some areas of agreement as well, e.g., the Soviet threat, Afghanistan. The Iranians have never stepped up to the reality of hostage release process. Misunderstandings were caused by Ghorbanifar's letter.

On possibilities for future, the Iranians are moved by the opportunity to restore ties to serve their strategic and economic interests. "They will be back in touch with us. They have now met with North and Teicher. I recommend no more meetings until the hostages are released. A lot may be possible. You have begun to open the door to these people." (S)
 The meeting ended at 9:40.

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Prepared by:
 Howard Teicher

